A Ph.D. Synopsis

"A Behavioural Study of Middle Class Individual Investor's Awareness, Perception and Preference towards Capital Market Investment in Maharashtra"

Submitted to

Swami Ramanand Teerth Marathwada University, Nanded

For the Degree of

Doctor of Philosophy (Ph.D.) In Commerce

Under the faculty of Commerce and Management

Research Student

Hariprasad Ramprasad Soni

Research Supervisor

Prof. Dr. Sanjivkumar S. Agrawal,

Professor & Research Guide, Department of Commerce,

Toshniwal Arts, Commerce & Science, College

Sengaon, Dist. Hingoli

July 2021

Introduction:

A market is a place where buyers and sellers execute a trade to buy and sell goods, assets and services. Hence Capital markets are where sellers, in this case, known as suppliers of funds lend money to those who are in need of it. Suppliers include banks and investors while those who need capital are individuals, businesses and governments. In simple words, it is a market for financial assets which has long or indefinite maturity. In layman's language, Capital Markets facilitate trade of long term debt and equity. It acts as means through which scattered saving of investors are directed into productive activities of corporate entities. Behaviour of Indian capital market, specially, stock market has always been interesting, challenging and if one understands it, it becomes pleasantly rewarding.

The financial investments are basically the commitments of the capital or primary wealth by the investors to buy financial assets or the instruments for reaping the profitable returns in terms of interest or dividend and also in terms of capital gain in the form of appreciation in the value of the particular financial asset. Investment decisions undertaken by individuals are based on their knowledge, attitudes, mind-set or ideological set up which is based on the psychological strategy. Their opinions in the context of capital market investment conceptualize the investment behaviour. The entire framework or process of investment behaviour encompasses the investors' perceptions, investment judgments based on analysis, their procedures and review of procedures related to decision making. This encapsulates mustering the information, defining and understanding the whole market, conducting research about the alternatives in the market, which could result in making prompt and fair investment decisions.

Indian economy is one of the rapidly growing economies of the world where more than 50 per cent people belong to middle class with an annual income not exceeding Rs. 10 lakhs. Middle class population is the key element for economic development of India. They influence demand and supply of need and comfort products at a great extent. Their saving and investment patterns get influenced by their future needs which has a significant impact on the investment market. This results into wide scope for research in the concerned segment.

There are a large number of investment instruments available in capital markets, some of them are marketable and liquid while others are non-marketable. In terms of risk, some of them are highly risky while others are almost risk less. Investors can choose an appropriate one depending on their risk preference and anticipated returns. Investment avenues can be broadly categorised as - Financial Investments, Real Estate Investment and Investment into commodities. Financial Investments include investment into Equity shares, Preference shares, Bonds, Mutual funds, Provident fund, Bank deposits, Insurance and Pension Plans. The capital markets are relatively for long term financial instruments. Capital market can be divided into two parts as primary market and secondary market. In primary market new securities are bought and sold for the first time and in the secondary market where investor purchase a security from another investor rather than the issuer. The players in the capital market are individual, institutional, foreign investors, brokers, merchant bankers etc.

Capital Market has become highly competitive due to the extraordinary growth being experienced by it in terms of total funds being managed, number of players and choice of new innovative

schemes being offered to the investors. The highly competitive nature of this industry necessitates that marketers must fully understand the investment behaviour of individual investors of middle class income groups to be able to effectively market their products. The current state of knowledge about the investors' behaviour is not found to be satisfactory and in fact it is inadequate when applied to understand the investment behaviour of Middle Income Group investors.

Government regulatory bodies create a lot of awareness and encourage retail investors to invest in equities so that they become the pillar and also the beneficiary in the economic growth of the country. Despite the spectacular growth of shareholders among Indian households over the last decade, middle class individual investors rely on few traditional investment avenues. In this research, the research will concentrate over the investment behaviour adopted by middle class investors engaged in either service or business. The major portion of this group's income is spent on household expenses and hence it is left out with very small quantum of savings. Obviously, the reason behind selecting the particular income group (Middle Class) is because of the constraint factor in terms of their meagre savings.

Review of Literature:

The behaviour of individual investors in the capital market is influenced by various factors. Many scholars have made studies on investor's behaviour, investment patterns and perceptions related to Capital Market, and still many studies are going on. Researchers have also done extensive study to identify the factors which influence the participation of investors in capital markets. Some literature covering

different aspects of investment with investor's perceptions have been attempted here.

1. **Varadharajan & Vikkraman (2011) -**The focus of this research paper is to identify the investors' perceptions towards investment decision in equity market. The sample size for the study was 50 investors in Coimbatore and it studied their attitude towards selection of stock based on the business affairs of the company, the risk, and the expected return. Frequency analysis and various statistical tools were used to describe the variables. Suggestions given in its conclusion help the investors to sort out the errors committed by them in making investment decisions.

2. **Mitra (2014) -** The study indicates that majority of retail investors invest major portion of their savings in non-capital market instruments. The study concludes that the Investors want to have the extension of more powers to SEBI on investor protection with a view to improving capital market operations. The most important criterion considered while operating in equity market is market sentiments. Among the various capital market instruments available, Mutual Funds Schemes are the most preferred instruments among investors followed by Shares and Debentures. Majority of the investors have an experience of more than three years in capital market investment.

3. **Goyal & Sharma (2014) -** The study has been conducted to answer few important questions about preferences of the investment instrument such as real estate, bullion, precious stones, money market and capital market etc., The study also tries to finds out the

investment pattern adopted by the investor and objectives behind opting for a particular investment instrument. Investment is one of the major issues of the middle class families as their small savings today help them to meet the expenses of tomorrow. Hence this study also examines the risk bearing capacity, trade-off between expenses and savings and other factors which influence their investment decision.

4. **Modi (2016) -**The objective of the paper is to find out the age group of investors which actively participates stock market. It also deals with peoples' perception and their preferences towards equity market in Ahmedabad. The objective is also to find out whether investors in Ahemadabad follow aggressive or conservative approach. It concludes that people prefer to invest in the equity market in order to get higher returns. It also concludes that though the investors are risk takers but their major investment is not in Equity.

5. **Dewan, Gayatri & Dewan (2019) -** The study identifies the factors affecting investment behaviour of the corporate and individual investors, and also to makes a comparative study of the investment behaviour of both the corporate and individual investors from Southern India. The study is based on the perception of the investors and the data was collected from 576 investors from four major cities of South India using questionnaire method. Researcher has identified total four factors which successfully represent the investment behaviour of the corporate and individual investors. These factors are Investors' related factors, Market or environment related factors, Investment objectives' related factors and Company specific factors. Further, the study finds out through the comparative analysis of the corporate and individual investors, that there is

significant difference in the investment behaviour of the corporate and individual investors from the Southern India.

Research Gap:

A number of research gaps and limitations in the theoretical and methodological approaches in earlier studies have been identified and have been considered for further research. Literature review reveals that retail investors' income level plays a predominant role in deciding their investment strategy and their behaviour. Their perception varies according to their income level. There exists a strong association between demographic factors and risk bearing capacity of Indian investors. From our review of the literature, we argue that there has not been a single study which has been done with respect to the investment behaviour of Middle Income Group investors, their perception, awareness and preferences of investment in the capital market and existence of a trend if any in their investment decisions. This research fills the aforementioned research gap with special reference to Maharashtra. The number of investors participating in the capital market in the cities of Maharashtra has also witnessed a significant growth over the past few years. The present study dwells on the Middle Income Group's investment behaviour in selected districts in Maharashtra and their opinion on the various investment options related to capital market. The current study also tries to find out exciting relationship between income and the investment patterns. Our descriptive analyses will shed new light on the links between *'income'* and *'investments'*.

Statement of the Problem:

The investing patterns of middle class investors may vary from one to another. One may prefer low risks while others may prefer high risks.

One may seek advice of experts to invest while others may invest on his/her own. One may invest with his/her resources while others may borrow or pledge properties to make investments. The study mainly tries to find out individual investors' Awareness which determines their, Perception and ultimately results into their Preference. Hence the study deals with investor's Awareness, Perception and Preferences towards Capital Market Investment in Maharashtra.

Need and Importance of the Study:

The millions of individual investors constitute the backbone of Indian capital market. Any developing economy like India needs significant growth in number of investors and amount of their investment into capital markets. This ensures free flow of funds to the corporate world which is the key to India's GDP. The real household disposable income has more than doubled since 1985. A proper understanding of time value of money, the available avenues for investment, the risk and the return associated with the investment are the integral factors of managing savings to achieve life's goal. But do these factors drive middle income group investors while investing their hard earned money in the capital markets? Are there other factors like own perception or suggestions made by near and dear or suggestions made by so called experts? Does the purpose of investment affect the investment decisions in case of middle group investors? What is the level of their awareness and its impact on their perception which ultimately results into their preferences? Answers to all these questions help to determine the investment pattern of Middle Class Individual Investors. This could possibly help the regulating agencies to determine the content of investor education as the study will let the regulator to find out the knowledge gaps among the investors. This study will surely help the marketers and

intermediaries who deal in capital market linked products in their commercial decision making process like product innovation and promotion.

Many people analyse risk in a superficial manner. Risks associated with products in capital markets are categorised into two parts, Systematic and Unsystematic Risks. Unsystematic risk is the risk relates to a specific company and is directly associated with the Management integrity, its capability and its vision. Systematic Risks are inherent to the entire market and generally include the factors which are directly linked to the economy. The present study also deals with investors' awareness with the reference to these risks. In this context the present study is planned to study Middle Income Individual Investor's Awareness, Perception and Preference towards Capital Market Investment in Maharashtra.

Objective of the Study:

The following objectives have been framed for the present study.

1. To understand the middle income individual investors' awareness with reference to risk and reward associated with the products in capital markets.
2. To study the middle income individual's perception towards investment in capital markets which could be the result of lack of awareness of the products.
3. To find out the middle income individual's preferences in Capital Market Investments as a result of their awareness and perceptions.
4. To study the factors influencing the choice of investment in equity market of middle income individuals.

5. To study the factors influencing the level and the size of the investment of middle income individuals.
6. To study the investment pattern and the diversification in capital market investments of middle income individuals.
7. To identify the investment pattern through certain key factors which influence the decision making of investors in equities.
8. To identify the factors affecting investment behaviour of individual investors from Maharashtra.

Hypothesis Formulation:

The following hypotheses have been formulated for the present study.

1. Middle income investors' awareness towards investment in Capital Market is not up to the mark.
2. Middle income individual neglects to prefer investment in the Capital Market.
3. Investment behaviour is affected by the Income and saving of individual investors from the study area.

Research Methodology:

This study ultimately focuses on the preference of Investments by particular income class (Middle Class). This study will be quantitative as well as qualitative in nature to interpret the issues in the comprehensive manner. Descriptive research design will be applicable to the existing problem. Hence it will be based on descriptive research design. Here is an attempt to study the investment behaviour of middle class individual from Maharashtra State. Primary data will be used to measure the investors' opinions while secondary data will be used for review of literature, and for getting an in depth understanding of the subject matter of the research.

Primary data will be collected personally by face to face interaction with the investors. Questionnaire method will be used for primary data collection. Each respondent (investor) will be given a questionnaire which is to be filled in by the respondent. The detailed research methodology for the proposed research is as follows.

Research Design:

The research will be exploratory in nature and survey method will be used to conduct the study.

Definition of the Population –

The study relates to the investment patterns of middle class individuals and it includes two groups, one engaged in service and the other in business.

Sample Size:

As the population of the study though not infinite but very large in nature, hence, for the purpose of the study a sample size of 1,000 respondents will be covered.

Table: Sample Selection and Size.

Sr.	Districts	From Services Class	From Business Class	Total Number of Respondents Selected
1	Mumbai	50	50	100
2	Pune	50	50	100
3	Nagpur	50	50	100
4	Nashik	50	50	100
5	Aurangabad	50	50	100

6	Amravati	50	50	100
7	Solapur agar	50	50	100
8	Kolhapur	50	50	100
9	Nanded	50	50	100
10	Ahemadnagar	50	50	100
	Total:	**500**	**500**	**1,000**

The cities are 10 high per capita income districts of Maharashtra state. 100 respondents from each of these cities will be selected from middle class income groups equally from services or business segment.

Sampling Technique:

The Multistage Stratified Random Sampling technique will be used for the study so as to have an adequate representation of various groups of middle class investors of Maharashtra State.

Methods of Data Collection:

The research will be based on primary and secondary data. A well-structured questionnaire will be used for collecting primary data. The secondary data will be opted from various sources i.e. books, journals, magazines, newspapers, SEBI and other institutional reports, website, etc.

Data Collection Period:

The period of the data collection will be from Jan. to Dec. 2022.

Analysis of Data:

In order to analyse the collected data, simple percentage analysis tool will be used. It states the frequency and percentage of the respondents' profile, attitude and opinion regarding different variables.

The analysis of data collection will be presented systematically with the use of different tables and graphs.

Tools used:

The collected data will be analysed with the help of scientific statistical tools and computer software such as – Percentages, Graphs, Chi-square test, MS-Excel, Google form, etc.

Scope and Limitations:

The scope of the current study is limited to the middle class individual investors of Maharashtra State of India. The study is mainly focused on the middle class individual investors' behaviour. The study will be conducted on 1,000 respondents selected on the basis of multistage stratified random sampling. The sample size is small and limited. The study will be done during a short period of less than three years.

Chapter Scheme:

The present research will be divided in the following chapters.

1. Introduction.
2. Research Methodology & Review of Literature.
3. Investors' Awareness, Perceptions and Preference towards Investment in Capital Market.
4. Capital Market Investments Options.
5. Regulatory measures for Investors Awareness.
6. Data Analysis.
7. Findings, Conclusions & Suggestions.

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Research Student

Hariprasad Ramprasad Soni

Research Supervisor

Prof. Dr. Sanjivkumar S. Agrawal